

## **2010 CAMP NEGOTIATIONS**

### **CITY'S INITIAL LIST OF NEGOTIATION INTERESTS & ISSUES**

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In November 2009, the City Council approved a goal of a 5% ongoing total compensation reduction. In approving the Mayor's Budget Message on March 23, 2010, the City Council established an additional goal for an additional 5% in personnel cost savings, including ongoing or one-time savings, to achieve a total reduction of 10%.

#### **TOTAL COMPENSATION REDUCTION**

- 5% ongoing total compensation reduction
- Additional 5% reduction (TBD)

#### **TERM**

1. Term

#### **PAY**

2. Reductions in pay (base pay and premium pays)

#### **HEALTH INSURANCE**

3. Modifications to cost sharing formula
4. Modifications to HMO Plan Design
5. Elimination of dual coverage
6. Modifications to Health-in-Lieu

#### **LEAVES OF ABSENCE**

7. Clarification of language

#### **SICK LEAVE**

8. Sick leave payout changes
9. Medical verification clarification

#### **RETIREE PENSION BENEFITS**

10. Changes to retiree pension benefits, including, but not limited to:
  - Calculation of Final Average Salary
  - Cost of Living Adjustment (COLA)
  - Supplemental Retiree Benefit Reserve (SRBR)
  - Payment of unfunded pension liability
  - Retirement service credit calculation
  - Modification to pension formula

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**RETIREE PENSION BENEFITS (cont'd)**

- Cost Sharing of Pension Benefits

Some of the subjects above may be applicable to new hires only

**RETIREE HEALTHCARE BENEFITS**

11. Retiree healthcare benefits, including benefits for new hires

**DISABILITY LEAVE SUPPLEMENT**

12. Changes to Disability Leave Supplement
13. Ineligibility if offer and decline of modified duty

**VACATION**

14. Clarification/Clean-Up

**HOUSEKEEPING**

- Updating dates and outdated language/terms

**CITY PROPOSAL #3- HEALTH INSURANCE COST SHARING FORMULA**

Proposed Language

**HEALTH INSURANCE**

~~The City pays 90% of the cost of the lowest priced plan for the employee or the employee and dependent coverage and the employee pays 10% of the premium for the lowest priced plan up to a maximum of \$150 per month. If the employee selects a plan other than the lowest priced plan, the employee pays the difference between the total cost of the selected plan and the City's contribution towards the lowest priced plan.~~

~~Effective January 1, 2009, the City pays 90% of the cost of the lowest priced plan for the employee or the employee and dependent coverage and the employee pays 10% of the premium for the lowest priced plan. If the employee selects a plan other than the lowest priced plan, the employee pays the difference between the total cost of the selected plan and the City's contribution towards the lowest priced plan.~~

Effective June 27, 2010, the City pays 80% of the cost of the lowest priced plan for the employee or the employee and dependent coverage and the employee pays 20% of the premium for the lowest priced plan. If the employee selects a plan other than the lowest priced plan, the employee pays the difference between the total cost of the selected plan and the City's contribution towards the lowest priced plan.

**CITY PROPOSAL #4- HEALTH INSURANCE PLAN DESIGN**

Proposed Language

~~Effective January 1, 2009, the following plan design changes shall be implemented for all HMO plans:~~

- ~~•Office visit co-pay: \$10~~
- ~~•Prescription co-pay: \$5 for generic and \$10 for brand name (The Blue Shield HMO will continue to include \$15 non-formulary drug co-pay.)~~
- ~~•Emergency Room co-pay: \$50~~

Effective July 1, 2010, the following plan design changes shall be implemented for all HMO plans:

- Office visit co-pay shall be increased to \$25
- Prescription co-pay shall be increased to \$10 for generic and \$25 for brand name
- Emergency Room co-pay shall be increased to \$100
- Inpatient/Outpatient procedure co-pay shall be increased to \$100

**CITY PROPOSAL #5- HEALTH INSURANCE DUAL COVERAGE**

Proposed Language

**HEALTH INSURANCE**

An employee may not be simultaneously covered by City-provided medical benefits as a City employee, and as a dependent of another City employee or retiree.

**DENTAL INSURANCE**

An employee may not be simultaneously covered by City-provided dental benefits as a City employee, and as a dependent of another City employee or retiree.

**CITY PROPOSAL #6- MODIFICATIONS TO HEALTH IN LIEU**

Proposed Language

**HEALTH AND DENTAL IN LIEU**

The purpose of the payment-in-lieu of health and/or dental insurance program is to allow employees who have alternative health and/or dental insurance coverage to drop the City's insurance and receive a payment in lieu. Employees who qualify will receive the following per payperiod:

	Health In-Lieu	Dental In-Lieu
If eligible for family coverage:	\$150.00	\$10.00
If NOT eligible for family coverage	\$50.00	\$10.00

An employee who is already receiving other City provided medical benefits is not eligible for payment in-lieu.

An employee may choose, during open enrollment or within thirty (30) days of a qualifying event, to drop health and/or dental coverage and receive a payment in-lieu equal to one-half of the City's contribution toward health and/or dental coverage. To qualify, the employee must prove acceptable alternate group coverage and work 35+ hours/week.

**CITY PROPOSAL #8- SICK LEAVE PAYOUT**

Proposed Language

**SICK LEAVE PAYOUT**

Members of the Federated City Employees' Retirement System who retire with at least fifteen-~~twenty~~ (15~~20~~) years of service are eligible to receive, upon retirement directly from City service, payout for a portion of their unused earned sick leave at the rate of:

**Accrued Sick Leave Hours**

**Sick Leave Payout**

0 – 399 Hours

50% of final hourly rate

400 – 799 Hours

60% of final hourly rate

800 – 1,200 Hours

75% of final hourly rate

Employees are only eligible for one sick leave payoff while employed by the City of San Jose, including breaks in employment.

Employees who separate from City service on or before June 27, 2010, and who have 15 years of service, shall be eligible for a sick leave payout at the rate that is available, as specified above.

Employees hired by the City on or after July 1, 2010, shall not be eligible for a sick leave payoff benefit.

If employee's balance is greater than 1,200 hours, employee is also eligible for a payout of 75% of the value of sick leave in excess of 1,200 hours that is earned but unused during the two (2) years prior to retirement.

*Part-time and temporary employees **are not eligible** for this benefit.*

**CITY PROPOSAL #9– MEDICAL VERIFICATION**

Proposed Language

**SICK LEAVE**

Any time an employee is required to report to work and is unable to report due to illness or injury, an employee may be required to furnish medical verification or other substantiation for any such absences.



**CITY PROPOSAL #10 & #11 – RETIREMENT COST MITIGATION**

Proposed Language

**RETIREE HEALTHCARE FUNDING RETIREMENT COST MITIGATION**

The City and the Employee Organization agree to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). The transition shall be accomplished by phasing into fully funding the ARC over a period of five (5) years beginning June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.380 (C) (1) and (3) of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this section.

The City and the Employee Organization further agree that the Municipal Code and/or applicable plan documents shall be amended in accordance with the above agreement and that the Employee Organization will support such amendments.

It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Federated City Employees' Retirement System Board's actuary and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. The phase-in to the ARC shall be divided into five steps (using a straight line method), each to be effective on the first pay period of the City's fiscal year in each succeeding year. The first increment of the phase-in shall be effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of each increase may vary upward or downward. The City and Employee Organization agree that the Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example, if the members' contribution rate is 4% of pensionable pay, the subsequent fiscal year's contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay. Notwithstanding the limitations on the incremental increases, by the end of the five year phase-in, the City and plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.380 (C) (1) and (3) of the San Jose Municipal Code.

The City will establish a qualified trust ("Trust") before June 27, 2010. Until such time as a Trust is established, the City and employee contributions under this agreement shall be made into the existing Medical Benefits Account for as long the contributions can be made into the Medical Benefits Account in accordance with IRS limitations. If the Trust is not established prior to reaching the IRS limitation, the parties agree to meet and discuss alternative funding vehicles.

It is the objective of the parties that the Trust created pursuant to this agreement shall become the sole funding vehicle for Federated retiree healthcare benefits, subject to any legal restrictions under the current plan, or other applicable law.

## 2010 CITY OF SAN JOSE – CAMP NEGOTIATIONS

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### HEALTHCARE COST MITIGATION Retirement Benefits Reopener

The parties agree to commence meeting and conferring between ~~January 1, 2011, and January 19, 2011~~ within fifteen (15) calendar days of the City providing written notice to CAMP, on retiree healthcare benefits for future employees, and a medical reimbursement program for future retirees, and pension benefit/costs for current and future employees.

The parties intend to engage in the foregoing negotiations in a coalition bargaining process with all other interested represented bargaining units, if any. However, negotiations between the City and Employee Organization shall commence no later than fifteen (15) calendar days after the City provides written notice to ABMEI January 19, 2011 with or without participation of any other bargaining unit. The City and Employee Organization shall negotiate in good faith in an effort to reach a mutual agreement.

If no agreement is reached, the parties will follow the impasse procedures set forth in the City of San Jose's Employer-Employee Relations Resolution (#39367) and the Meyers-Millas-Brown Act. The parties understand that this means that the City will have the right to unilaterally implement in the event that no agreement is reached at the conclusion of negotiations and mandatory impasse procedures. ~~The City agrees that a unilateral implementation of retiree healthcare benefits for future employees shall not be effective before July 1, 2011.~~

CITY PROPOSAL #12 – DISABILITY LEAVE

Proposed Language

**DISABILITY LEAVE**

If required to be absent from work due to a work related illness or injury, employees may receive a supplement which, when added to the Workers' Compensation Temporary Disability, equals 85%66% of the employees' base salary, up to a maximum of ~~nine (9)~~six (6) months (~~274 days or 1560~~183 days or 1040 hours if used intermittently).

*Part-time and temporary employees **are not eligible** for this benefit.*

**CITY PROPOSAL #13 – INELIGIBILITY IF OFFER AND DECLINE OF MODIFIED DUTY**

Proposed Language

An employee shall be voluntarily separated from City service if the City offers the employee employment at identical or similar rate of pay, within the employee's medical limitations, and the employee refuses or fails to accept duty for which he or she is physically qualified.

**CITY PROPOSAL #14 –VACATION**

Proposed Language

**VACATION**

Vacation accrues at the following rates for each paid hour (either worked or paid absence):

<b>Years of Service</b>	<b>Hourly Rate</b>	<b>Annual Hourly Accrual (Full Time)</b>
1 – 5	.05875	120 hours
6 – 14	.07750	160 hours
15+	.09625	200 hours